

REPORT FOR SECOND QUARTER FY12

Antaria Limited is a specialist developer of advanced intermediate materials used by the industrial, chemical and cosmetic sector.

ZinClear-IM[®] is Antaria's flagship product and is an innovative range of transparent, micron sized zinc oxide dispersions for use in a wide variety of suncare, skincare and cosmetic products. ZinClear-IM offers a safe and effective mineral alternative to chemical UV absorbers. The range includes products certified by ECOCERT (France) and Natural Products Association (USA).

The growth of Antaria's ZinClear range has proven the ability of the company to successfully commercialise and build revenue streams from its intellectual property.

Based in Perth, Western Australia, Antaria services the international market via a global network of product distributors, including lead partners The Dow Chemical Company and Merck KGaA.

* ZinClear, ZinClear-IM and Alusion are registered trademarks of Antaria Limited.

Directors

Robert Mangioni (Chairman)
Deborah Cooper (Managing Director)
John Young
Lev Mizikovsky
Rade Dudurovic

Senior Management

Deana Cesari (CFO)
John Robinson (CTO)
Nathan Chapman (COO)

ASX: ANO

Substantial Shareholders at 27Jan11

Ankla Pty Limited (27.12%)
Mr Nayan A. Jagjivan (13.87%)
University of Western Australia (9.77%)
Bannaby Investments (7.87%)

Highlights

- Successful completion of capital raising program, gross proceeds of \$4.5m received during the first half of FY12.
- Strengthening of Antaria board with the appointment of Mr Lev Mizikovsky (Ankla Pty Limited) and Mr Rade Dudurovic.
- High stock levels held from previous summer in Australia and lower sales in Europe have contributed to 25% decrease in sales for the first half of FY12 (\$1.91 million) compared to the previous corresponding period in FY11 (\$2.55 million).
- ZinClear[®] family of products continues to lead group sales, with ZinClear-IM[®] comprising 74% of total sales (\$1.42 million) dominated by sales to North America.
- Orders on hand of approximately \$850k, the majority of which are expected to be fulfilled in Q3 FY12.

Quarterly Overview

Antaria recorded total sales of \$1,910k in the first half of FY12 compared to \$2,551k in the previous corresponding period.

Strong sales of Antaria's flagship product ZinClear-IM[®] to Dow have underpinned sales for the first half of FY12, accounting for approximately 43% of Antaria's first half sales. First half sales to Dow also represent almost a 50% increase over the previous corresponding period in FY11.

The first half of each financial year is traditionally strong for ZinClear sales in Australia. However sales into the Australian market have been well below expectations this first half. The unfavourable weather conditions during the 2010/11 Australian summer resulted in higher than usual stock levels at contract manufacturers and brand owners which have reduced Antaria sales in 2011/12. Pleasingly, we understand there have been a number of new product launches incorporating ZinClear-IM this summer, including Cancer Council and Invisible Zinc products.

Sales of ZinClear-IM into Europe are also down in the first half compared to the same period last year, \$168k vs. \$377k. While a number of new products have been formulated, ongoing uncertainty regarding Europe's economic environment has created caution within our customer base. Our distributors are reporting slower sales in the December quarter and are holding higher than anticipated year end stock levels.

After a slow start to FY12, product sales of Alusion® for the first half are in line with expectations. Alusion is exclusively licensed to Merck KGaA, where it is sold under Merck's *RonaFlair White Sapphire™* brand for use in cosmetics.

Capital Raising

During the first half, the Company successfully completed a capital raising program raising net proceeds of approximately \$4.26 million. Funds raised will be used to accelerate the Company's development, increase production efficiency and to drive revenue growth.

The investment program for our manufacturing facility foreshadowed in the recent capital raising is being pursued with purpose. These investments will improve production capacity and further enhance product quality and technical characteristics of our ZinClear range, as well as improving process flexibility.

Antaria is also pursuing the installation of an integrated resource management system to facilitate the management of production and distribution. We expect the new ERP system to improve the consistency of the manufacturing process and provide greater flexibility to meet customer requirements.

Board Appointments

Antaria welcomed two new directors during the December quarter with the appointment of Mr Lev Mizikovsky on 18 October 2011 and Mr Rade Dudurovic on 2 November 2011.

Mr Mizikovsky is the sole shareholder of Ankla Pty Limited, one of Antaria's substantial shareholders and has a proven track record in making successful investments in new technologies. He is currently a Director of, and has a substantial financial interest in, both Tamawood Limited (ASX:TWD) and AstiVita Renewables Limited (ASX:AIR).

Mr. Dudurovic is a director of Sequent Corporation, a privately-held investment and advisory business that works closely with investment groups to source opportunities, execute investments, drive operational improvements and grow shareholder value. Mr. Dudurovic is currently a non-executive director and the chairman of the Audit Committee of Tamawood Limited and AstiVita Renewables Limited and the non-executive Chairman of Queensland Manufacturing Industries Pty Ltd. Mr. Dudurovic has also been appointed Audit Committee Chairman for Antaria Limited.

Further to these appointments, the Board is undertaking a review of the business to set new strategic objectives going forward, with a view to building revenues and cash returns for shareholders.

Cash Report

Antaria's cash balance at the end of the quarter was \$5,327k (unaudited), a net increase of \$1,319k compared to 30 September 2011 balance of \$4,008k. Major contributors during the quarter were:

- Finalisation of the capital raising program with the receipt of a further \$1,709k in net proceeds.
- Net operating cash outflow of \$258k compared to a cash outflow of \$833k in the previous quarter (Q1 FY12). The lower net cash usage was dominated by the timing of cash receipts from customers.
- Cash receipts from customers of \$1,520k for the quarter, up from \$561k in the previous quarter.
- Other working capital payments totalled \$899k up from Q1 FY12 total of \$804k, with raw material purchases a substantial contributor for the second quarter of FY12.
- Payments for fixed assets (plant, equipment and patents) totalled \$110k for Q2 FY12.

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